

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

**DMG5028 – MANAGEMENT ACCOUNTING 2**

( All sections / Groups )

22 OCTOBER 2018

9.00 a.m – 12.00 p.m

( 3 Hours )

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**INSTRUCTIONS TO STUDENT**

1. This Question paper consists of 7 pages with 5 Questions only.
2. Answer **ALL** questions.
3. Please write all your answers in the Answer Booklet provided.

**QUESTION 1****PART A**

O'School Manufacturing manufactures and sells school bags to shopping malls and school supplies shops in Malaysia at the price of RM70 each. The company is currently operating at 80% plant capacity and has a budgeted production of 50,000 bags for the year 2018.

The accountant has established that each bag will require 2 meters of canvas cloth at RM8 per meter, 3 hours of direct labour at RM6 per hour and variable manufacturing overhead is applied to each bag at the rate of 65% of direct labour cost. Total fixed manufacturing overhead costs for the year 2018 is budgeted at RM445,000.

**Instructions**

Answer each of the following questions **INDEPENDENTLY**:

- (a) O'School Manufacturing received an order from Papaya House to purchase 2,000 school bags for their 'Back to school' project. As this project is a social responsibility project for Papaya House, they have requested for a quantity discount and has offered to pay RM60 for each bag. O'School will also need to buy a special tag at RM2 each for the bags if they accept this order. Should O'School Manufacturing accept this special order? (7.5 marks)
- (b) O'School Manufacturing received an offer from B&B Sdn. Bhd. to purchase the same type of school bag for RM50 each. If O'School accepts this offer, all variable costs can be eliminated but 70% of the fixed costs cannot be eliminated. Besides, O'School can also use the released capacity to manufacture 100,000 pencil cases and sell them at RM3 each. Should O'School Manufacturing make their own school bags or purchase the school bags from B&B Sdn. Bhd.? (10.5 marks)

**PART B**

The decision making process is often a continuous and indispensable component in managing an organisation's activities. It is an important process by which managers responds to opportunities and threats and try to improve the organisation's performance. Name the **FOUR (4)** steps in making a decision. (2 marks)

**[TOTAL 20 MARKS]**

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**QUESTION 2****PART A**

Becky Babe is a famous bag brand that targets teenage girls and young woman. The company, Becky Corp Berhad, had hit sales of 10 million bags for their new design, Becky Blues, last year. This design was introduced into the market in May 2017 and the demand for the bag continues to increase as the business expands into the global market via online sales.

Following the success of Becky Blues, Becky Lim, the co-founder of Becky Corp Berhad, has decided to introduce a new design, Becky Shines, into the market in the year 2019. The accountant has prepared the following budgeted production cost for each batch of Becky Shines bag, which consist of 150,000 bags:

	Budgeted production cost per batch (RM)
Direct material	679,500
Direct labor	1,530,000
Variable manufacturing overhead	580,500
Variable selling and administrative expenses	1,788,000
Fixed manufacturing overhead	966,000
Fixed selling and administrative expenses	1,542,000
<b>Total cost</b>	<b>7,086,000</b>

The company will also invest in a new machine amounting to RM8,797,500 in order to produce the Becky Shines bags. The company has sets a minimum return on investments at 40% per batch for all of its investments.

**Instructions**

- Compute the production cost for one unit of Becky Shines. Kindly ensure that you list down all the individual cost per unit. (4 marks)
- Compute the markup percentage and target selling price for one unit of Becky Shines if the company uses the absorption costing pricing method. Round your markup percentage and target selling price to the nearest two decimals. (7 marks)
- Assuming that the company wants to reduce its minimum return of investment to 30% per batch, what is the new markup percentage and target selling price for one unit of Becky Shines if the company uses the variable costing pricing method? Round your markup percentage and your target selling price to the nearest two decimals. (7 marks)

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**PART B**

Explain **TWO (2)** differences between a price taker and a price setter. (2 marks)

[TOTAL 20 MARKS]

**QUESTION 3****PART A**

Quicker Corp has two production departments, Mixing department and Frying department; and two servicing departments, Sales department and Accounts department. Sales department costs are allocated based on the number of sales order received while Accounts department costs is allocated on the basis of direct labour hours. The following information was provided by Quicker Corp for the year 2017:

	Service Departments		Production Departments	
	Sales	Accounts	Mixing	Frying
Departmental costs before allocation	RM787,500	RM632,500	RM854,100	RM678,900
Machine hours	-	-	82,000	96,000
Number of sales order received	-	25	85	115
Direct labour hours	34,400	-	95,500	84,500

**Instruction**

Using the step-down method, allocate the service department costs to the production departments by allocating the sales department first. (8 marks)

**PART B**

Siti Sarah is the owner of Sweet Co., a home-based company that manufactures and sells home-made health drinks. She also has a distribution center in Melaka. Due to the good responses from her customers, Sarah has decided to expand her distribution center to another two locations, Muar and Klang. However, all orders will still be processed and packed by the main distribution center in Melaka. Siti Sarah has provided the following information for May 2018:

	Distribution Centers		
	Melaka	Klang	Muar
Budgeted sales	20,000 bottles	40,000 bottles	12,000 bottles
Actual sales	19,800 bottles	42,500 bottles	11,100 bottles

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Siti Sarah expects that the cost of the distribution centers in May 2018 to be RM3.60 for variable cost per bottle and RM208,800 for total fixed costs. During May 2018, the centers incurred a total cost of RM484,440, of which 60% of it is variable cost.

### Instruction

Allocate the distribution center costs using the dual rate method. Budgeted fixed cost rate should be calculated based on budgeted sales and fixed cost should be allocated based on actual number of bottles sold. The variable costs should be allocated based on the budgeted variable cost rate and variable cost is allocated to the budgeted number of bottles sold.

(4 marks)

### PART C

Mr. Lim owns a factory that makes banana cakes and dried banana slices. As the celebration season has passed, Mr. Lim has decided to decrease the price of the banana cake by 10% in order to further boost sales from March to June 2018. The price of one kilogram of banana cake in February 2018 was RM5.00. The price of the dried banana slices has remained unchanged at RM6.00 per kilogram since January 2018. The following information were collected for March 2018:

Joint costs	RM500,000	
Total kilograms of banana processed	800,000	
	Banana cake	Dried banana slices
Beginning inventory (kilograms)	0	0
Production (kilograms)	354,900	416,325

Mr. Lim is also considering to further process all the banana cakes into banana cream cakes and all the dried banana slices into banana powder. The following information were collected for this consideration for March 2018:

	Banana cream cake	Banana powder
Beginning inventory (kilograms)	0	0
Production (kilograms)	307,880	367,308
Sales (kilograms)	285,500	351,000
Selling price per kilogram	RM9.00	RM10
Further processing costs	RM633,344	RM597,056

### Instructions

- Calculate the joint cost allocated to banana cream cake and banana powder using the net realizable value method.  
(5 marks)
- Calculate the joint cost allocated to banana cake and dried banana slices using the sales value at splitoff point method.  
(3 marks)

[TOTAL 20 MARKS]

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**QUESTION 4**

Wow Fabrez Berhad is a company that manufactures and sells a cleaning detergent liquid known as Z-Det. The company commenced its business operation on 1 January 2018. On 31 March 2018, the company had sold 10,500 units of Z-Det and gained a revenue of RM294,000 in the first quarter of the year. The company expects that the amount of units sold will increase by 15% in the second quarter and a further 20% in the third quarter. Selling price remains the same throughout the year. Below are the production details for Z-Det:

	Per unit of Z-Det	Total cost per unit of Z-Det
Direct material	4 litres @ RM2.50 per litre	RM10.00
Direct labour	2 hours @ RM5.50 per hour	11.00
Indirect material	1 litre	1.50
Indirect labour	0.5 hours	2.00
Utilites	0.25 kilowatts	0.75
<b>Total cost</b>		<b>RM25.25</b>

In order to ensure a smooth production, the company has set a policy to maintain a finished goods inventory at the end of each quarter equal to 20% of the next quarter's sales. Ending finished goods inventory for quarter three is expected to be 2,900 units. As for the raw materials, all materials are fully utilised for the production for each quarter. The company has allocated a total fixed manufacturing overhead of RM75,000 per quarter, in which consist of 60% factory supervisor salaries and 40% maintenance.

**Instructions**

Prepare the following budgets by quarter for the six-month ended 30 September 2018:

- (a) Sales budget (3 marks)
- (b) Production budget (5 marks)
- (c) Direct labour budget (4 marks)
- (d) Manufacturing overhead budget (8 marks)

**[TOTAL 20 MARKS]**

**QUESTION 5****PART A**

Saadiah Hair and Beauty Saloon provides hair styling and makeover services to their customers. Since the commencement of her business, Saadiah has been using the traditional approach in allocating its overhead costs. The overhead costs are currently absorbed at RM6 per labour hour.

**Continued...**

Saadiah plans to expand her business by including a new partner, Sam, and together, they will establish a company named S&S Hair and Beauty Saloon. Upon establishment, Sam has suggested to adopt the activity based costing approach instead. So, Saadiah has seek for your help to compare these two methods.

Saadiah has noted that each hairstyling service will take 4 hours and each makeover session will take 1.5 hours. Below are the direct and overhead costs in her business operations:

Hair styling		Makeover	
Direct material	RM28 per client	Direct material	RM20 per client
Direct labour	RM5 per hour	Direct labour	RM10 per hour

  

Activity Cost Pool	Cost Driver	Estimated Overhead (RM)	Cost Drivers by Service	
			Hair styling	Makeover
Cleaning of equipment	Labour hours	8.80	4 hours	1.5 hours
Saloon rental	Number of employees	9.00	2 staffs	3 staffs
Utilities	Hours of equipment used	2.50	2 hours	0.5 hours

#### Instructions

- Compute the activity based overhead rates for services (in total) for S&S Hair and Beauty Saloon. (3 marks)
- Compute the total cost per client for hair styling services using the activity based costing. (3.5 marks)
- Compute the total cost per client for makeover services using the activity based costing. (3.5 marks)

#### PART B

Company Q manufactures and sells green tea powder. The company expects to work 200,000 direct labour hours in a month and to produce 100,000 kilograms of green tea powder. Overhead applied is calculated based on direct labour hours. The company has the following data for August 2018:

Standard cost card		Actual data for August 2018	
Direct material (0.5 kilogram at RM6 per kilogram)	RM3	Material purchased and used (48,384 kilogram)	RM314,496
Direct labour (2 hours at RM5 per hour)	RM10	Direct labour hours (221,760 hours)	RM1,064,448
		Actual overhead	RM695,480

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Variable manufacturing overhead	RM290,000
Fixed manufacturing overhead	RM410,000
Total manufacturing overhead (at a volume of 200,000 direct labour hours)	RM700,000

At the end of August 2018, the company actually produced 100,800 kilograms of green tea powder.

**Instructions**

Compute the following variances for Company Q and indicate whether the variance is favourable or unfavourable:

- (a) Direct materials price variance. (2 marks)
- (b) Direct materials quantity variance. (2 marks)
- (c) Total overhead variance. (3 marks)
- (d) Overhead volume variance. (3 marks)

**[TOTAL 20 MARKS]**

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